

STUDY ON ECONOMICS OF ABANDONED BUILDING IN PENINSULAR MALAYSIA

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I hereby declare that the work in this thesis is based on my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at Universiti Malaysia Pahang or any other institutions.

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STUDY ON
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ABSTRAK

Pada masa kini, industri pembinaan merupakan industri yang sangat penting buat kemajuan di negara moden terutamanya negara Malaysia. Secara harfiahnya, industri pembinaan melibatkan pembinaan dan pembangunan infrastruktur. Perumahan terbengkalai sering berlaku di seluruh dunia. Maksud ‘terbengkalai’ itu adalah bangunan tersebut telah ditinggalkan atau diabaikan. Banyak kesan yang terjadi disebabkan hal ini seperti deflasi dalam ekonomi negara kita dan ianya juga boleh menyebabkan pencemaran, masalah kesihatan dan pembaziran sumber untuk pembinaan bangunan. Objektif bagi kajian ini ialah untuk menyiasat punca-punca dan kesan kepada permasalahan projek perumahan yang terbengkalai di kawasan Semenanjung Malaysia dan sekaligus menganalisa punca-punca tersebut dari sudut index harga rumah. Pencarian solusi terbaik juga akan dijalankan semasa kajian ini dilakukan. Kaji selidik dalam kajian ini pula akan memfokuskan kepada punca-punca berlakunya projek terbengkalai dari segi permasalahan kewangan, pengurusan yang lemah, konflik dalam kalangan ahli konsultan dan lain-lain. Kaedah yang digunakan dalam kajian ini adalah dengan pengagihan borang kaji selidik kepada pihak-pihak yang terlibat dalam sektor pembinaan antaranya seperti pemaju, perunding, kontraktor, kerajaan dan pihak-pihak lain yang terlibat secara langsung atau tidak langsung dalam pembinaan. Hasil maklumat yang didapati daripada penyebaran borang kaji selidik tersebut akan di analisa untuk mendapatkan solusi yang terbaik bagi permasalahan ini. Setelah dianalisa menggunakan kaedah RII, punca utama kepada berlakunya projek terbengkalai ini adalah disebabkan masalah kewangan. Bagi solusi pula, kajian yang dilakukan mendapati penyelesaian yang terbaik ialah dengan melantik konsultan baharu yang mempunyai sistem pengurusan kewangan dan insuran yang cemerlang. Secara ringkas, bilangan projek rumah terbengkalai akan dapat dikurangkan dan secara tidak langsung boleh membantu menstabilkan ekonomi negara Malaysia.

ABSTRACT

The construction industry is one of the most important industry in our nation right now. It is one of the most challenging industries not only in Malaysia but other countries too. Generally, it is involving the development of the infrastructure such as building, apartment and house residential. This also resulting to the increasing number of abandoned residential house project. The main issues that faced by the construction industry is abandoned residential house and building project. The term 'abandoned' itself show that the building that has been left out or been declined for certain situation or problems during the construction completion work period. There are a lot of effect when the building projects become abandoned such as deflation of our nation economic. This will also affect the environment in way that the abandoned building structure were not utilise and become pollution, health problem, and wastage of resources. This research was aiming to come up with mitigation plan and the objective of this research is to study the causes and effect of abandonment projects in Peninsular Malaysia and analysis the causes in the perspective of house price index. This will also include to propose for the best solution regarding on the abandonment residential projects. This research will be referring to the literature review the mainly focusing on the causes of abandoned building in term of financial problems, disputes among members of the project team, poor management of construction project and so on. The method for this research is using questionnaire survey that distributed to the people that related to the construction industry such as developer, consultants, contractors, etc. The results were analysed using relative index methods and data gathered from the questionnaire will be analysed in order to find the causes of abandonment house projects and to find the best solution for this problem. The result analysed shows that financial problems are one of the main factors contributes to the abandoned building project. As for the solution, the consultant and contractor of the project will be reappoint in hoping that the new appointed consultant will have a stable financial management system. In short, the abandoned house project will be reduced and able to stabilize our nation economy.

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LIST OF SYMBOLS

MHLG	Ministry of Housing and Local Government
RII	Relative Importance Index
NAPIC	National Property Information
KPKT	Kementerian Perumahan dan Kerajaan Tempatan
JPPH	Valuation and Property Services Department
FOMCA	Federated Association of Consumer Malaysia
MHPI	Malaysia House Price Index

LIST OF ABBREVIATIONS

National House Buyers Association, 1991

CHAPTER 1

INTRODUCTION

1.1 Background of Study

The construction industry is one of the most important industry in our nation right now. Generally, it is involving the development of the infrastructure such as building, apartment, housing and so on. The main sector that is currently monopoly this industry is the housing sector that plays a major role in developing and increasing the country 's economy. Quoted from (Dahlan, 2011) the increasing demand of houses and residential property in the past few decades has contributes to the surge in the number of abandoned houses and buildings especially in construction industry of Malaysia. This matter has now become worst and the need to identify the root sources of this worsen disease is important. There have been initiatives remedy proposed by the local authorities to cure this problem and it involved some money. Therefore, the economic analysis needs to be conduct deeply to investigate the problems regarding abandoned houses in Malaysia. This economic analysis aims to investigate and identify the connection between the price and the type of the houses that became abandoned and also the impact to the Malaysia's economic stability. Besides, the consequence of the construction project that lead to abandoned houses and buildings will be investigates.

As it was also mentioned,(Dahlan, 2008) there are so many benefits that contributed by the housing industry towards the stability and the increases of our country's economic and social development. This in fact making the demand of housing becoming even higher compare to the previous decades. It is clearly showing that the housing sector is very crucial for a country such as Malaysia to maintain their momentum and keeping up with the fast and modern neighbour likes Singapore. Although it seems that higher demand of housing gives a positive feedback for our country, we must not forget that the demand for housing is relatively high compared to the existing supply right at this

moment. The massive interest of the property developer to over-capitalize the current demand has leading to the worst impact of overly amounts of abandoned projects.

The construction industry is basically separated into two parts. The first one is the general construction which consists of residential construction, non-residential and civil engineering construction. For the second part of construction industry is mainly involved in the job scope such as electrical works, metal works, sewerage, plumbing, sanitary works, tiling and flooring works and many more. This shows that the Malaysian construction industry is really improves and play big role in the substantial economic of the country. However, this achievement starting to become a thorn in a flesh. This is because of the rising number of construction projects that are failed to be completed on time keep on increasing drastically. Even worst, some of the delayed projects become abandoned due to various reasons. Abandoned projects usually started when the construction work is on-hold position at some stages, in the other words is that the building that are currently on the built have been delayed the work progress or the work progress itself is extremely slow.

Based on the Consumers Association of Penang (Doraisamy, Akasah, & Yunus, 2014), they will classify the Housing Projects as abandoned projects based on a few details that needed to be checked thoroughly.

- I. Construction work in the project site has stalled continuously for 6 months or more, whether during the project completion period or past the scheduled date of completion, in accordance to the Sales and Purchase Agreement.
- II. A developer is unable to complete the project, or when the Housing Controller considers that the developer can no longer carry out their responsibilities as a developer.

The Ministry of Housing and Local Government (KPKT) are the agency responsible in managing and monitoring the residential buildings construction in Malaysia. They usually portray the construction project as abandoned or delayed based on a few details and data. The categories are defined accordingly by (Hamzah, Khoiry, Arshad, Badaruzzaman, & Tawil, 2012) as below :

- I. “Project delay” is the project which is experiencing delays in the construction period where there are different gaps between the actual in-progress sites work compared to the work scheduled, which is between 10% and 30%.
- II. “sick project” is the project that is experiencing delays in the construction period where gaps between actual work progresses compared to the work scheduled is more than 30%, or the projects fail to be completed in the construction period.

There have been many attempts being made to cure this decease, but it seems that the causes of abandonment housing and commercials projects is likely to continue evolved since the early 70's that corresponded to the lack of political interfere in changes the housing sector. This unresolved problem has prompted certain quarters to propose for the implementation of the ‘build then sell’ concept in Malaysia in order to resolve the problem of abandoned housing projects (National House Buyers Association, 1991).

This matter is arguably has become worsen and need to be treated well in order to cure this problem. A detailed investigation and research study to identify the catalyst and the causes of this problems should be done thoroughly. It is to make sure that the effects of abandonment housing will not lead us to even greater problems.

1.2 Problem of Statement

Abandoned projects in the construction industry is very common to the global phenomenon and not excluding our country too. This continuous deceased of abandonment projects in the construction industry has resulted many adverse consequences to the society life, banks standard and even our country's economy affected due to this issue. When talks about economically, our country resources are being jeopardize and it will also lead to the changes on the quality of life for the citizen of Malaysia where it is clearly going to be affected. Olusegun and Michael, (2011), has

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